

The image shows the tail fin of an Alaska Airlines aircraft. The fin is dark blue with a white outline of a man's face (Seward Collins) and a yellow and blue stripe. The aircraft's wing is visible in the foreground, extending from the bottom left towards the center.

# Alaska Airlines State of Air Travel

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Scott Kennedy  
Manager, State & Local  
Government Affairs  
[Scott.kennedy@alaskaair.com](mailto:Scott.kennedy@alaskaair.com)

# ✈ State of the U.S. Airline Industry Today

U.S. Airline domestic passenger volumes  
are down

63%

Domestic carriers are  
averaging

74

passengers per flight.

U.S. Airline international passenger  
volumes have fallen

78%

U.S. Airline departures  
are down

49%

U.S. carriers collectively burned

\$5B

each month in Q2

U.S. Airlines have grounded

1,700+

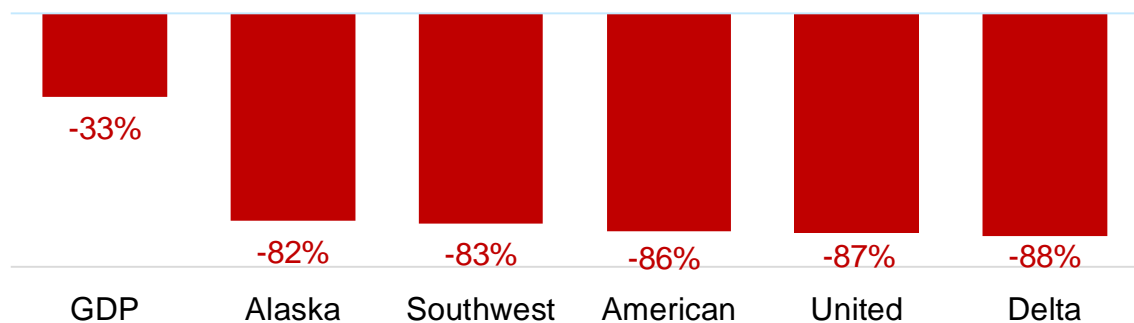
aircraft  
(as of 10/26/20)

Source: Airlines for America

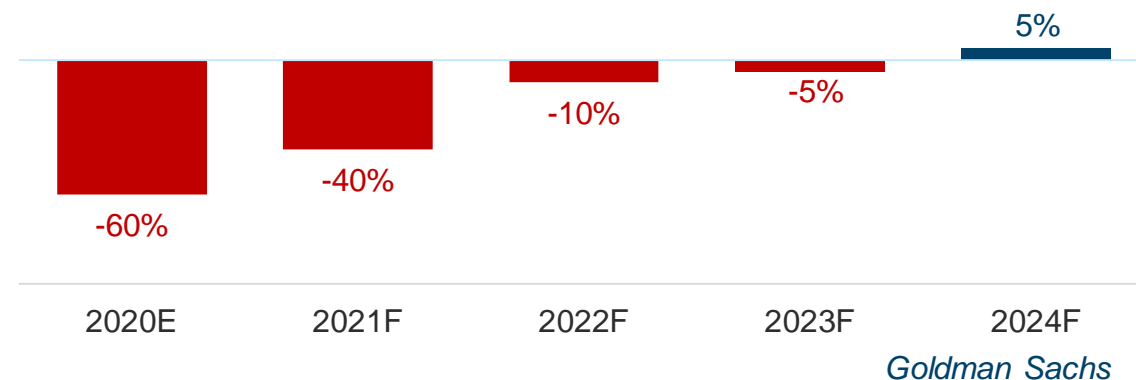


# COVID-19 Economic Impacts to U.S. Airlines

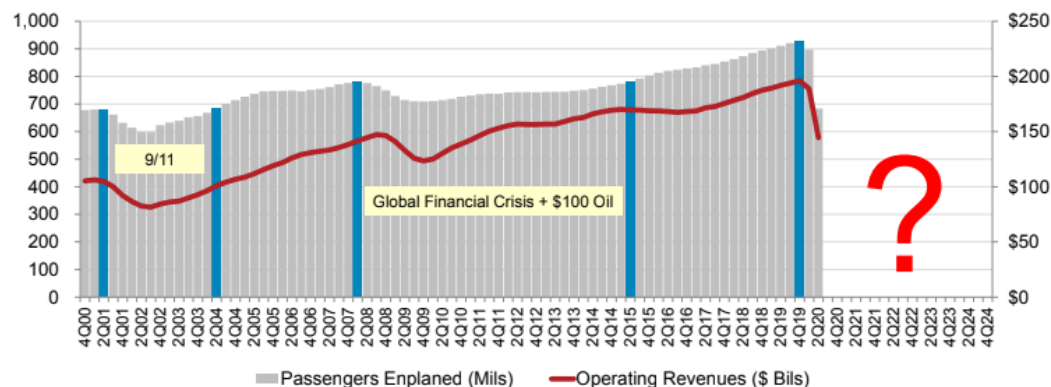
U.S. airline revenue dropped 2.5x more than GDP fell in Q2 2020, year over year.



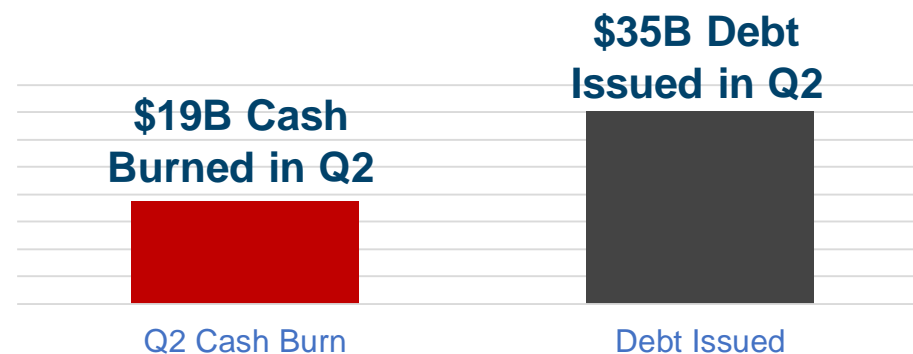
Passengers likely won't return to 2019 levels for at least 3-4 years.



After 9/11 and Global Financial Crisis, it took years for passengers and revenue to return.

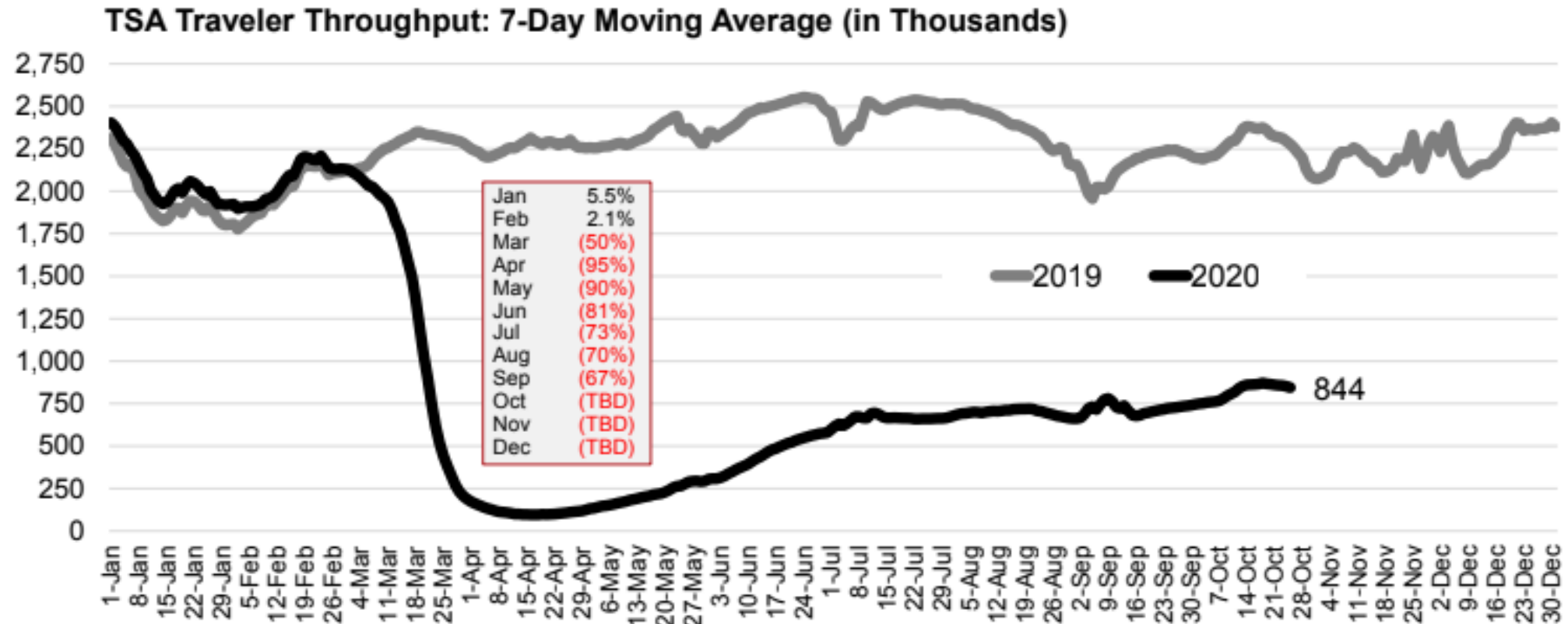


Industry will be burdened with debt for years, slowing growth even after COVID recovery.



# ✈ TSA Traveler Throughput Statistics

**TSA Checkpoint Traveler Throughput\* Is Running 63% Below Year-Ago Levels**  
**Daily Average Bottomed Out at 95K in April 11-17**

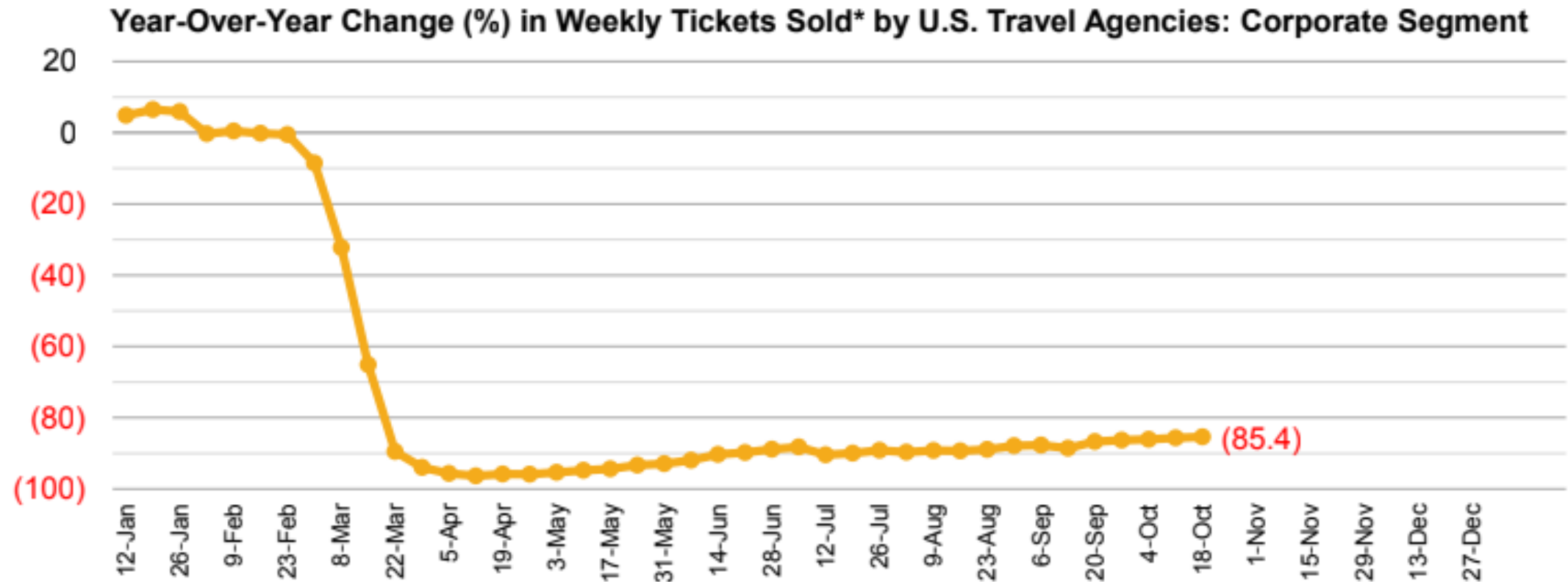


Source: Transportation Security Administration

\* U.S. and foreign carrier customers traversing TSA checkpoints; 2019 is year-ago same weekday

# ✈ U.S. Corporate Air Travel is Down

Corporate Air Travel\* Has Yet to Recover From the Steep Declines That Began in March



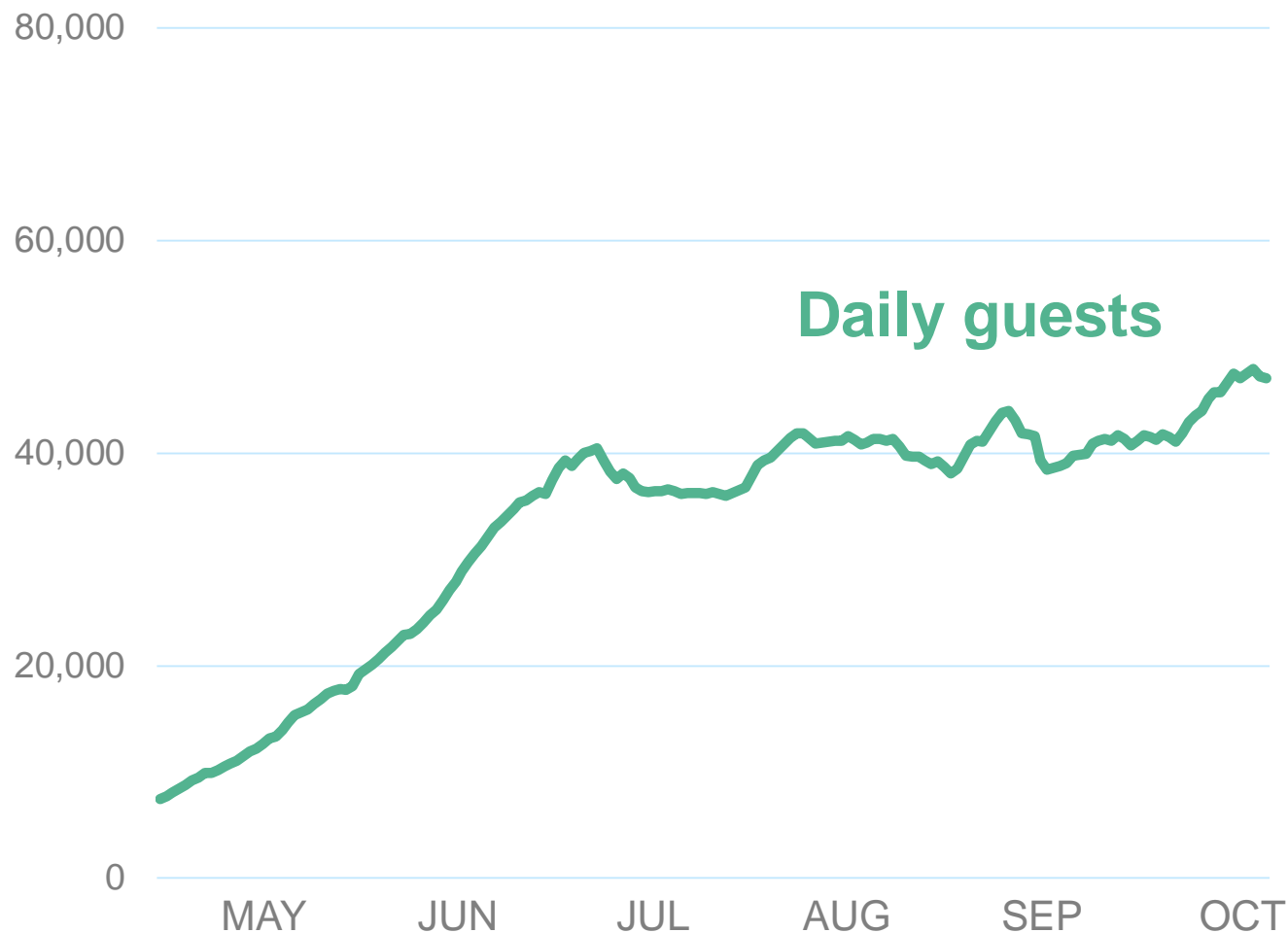
Source: Airlines Reporting Corporation (ARC)

\* Results do not include sales of tickets purchased directly from airlines and are not net of refunds or exchanges.

# ✈️ Alaska's experience has largely mirrored the industry's

In 2019, Alaska Airlines carried ~130,000 passengers per day.

In Q3 2020, Alaska's **passenger capacity was down 55%** from 2019 levels. We expect 4<sup>th</sup> quarter passenger capacity to be down 40%.



# COVID-19 has placed significant financial strain on our business

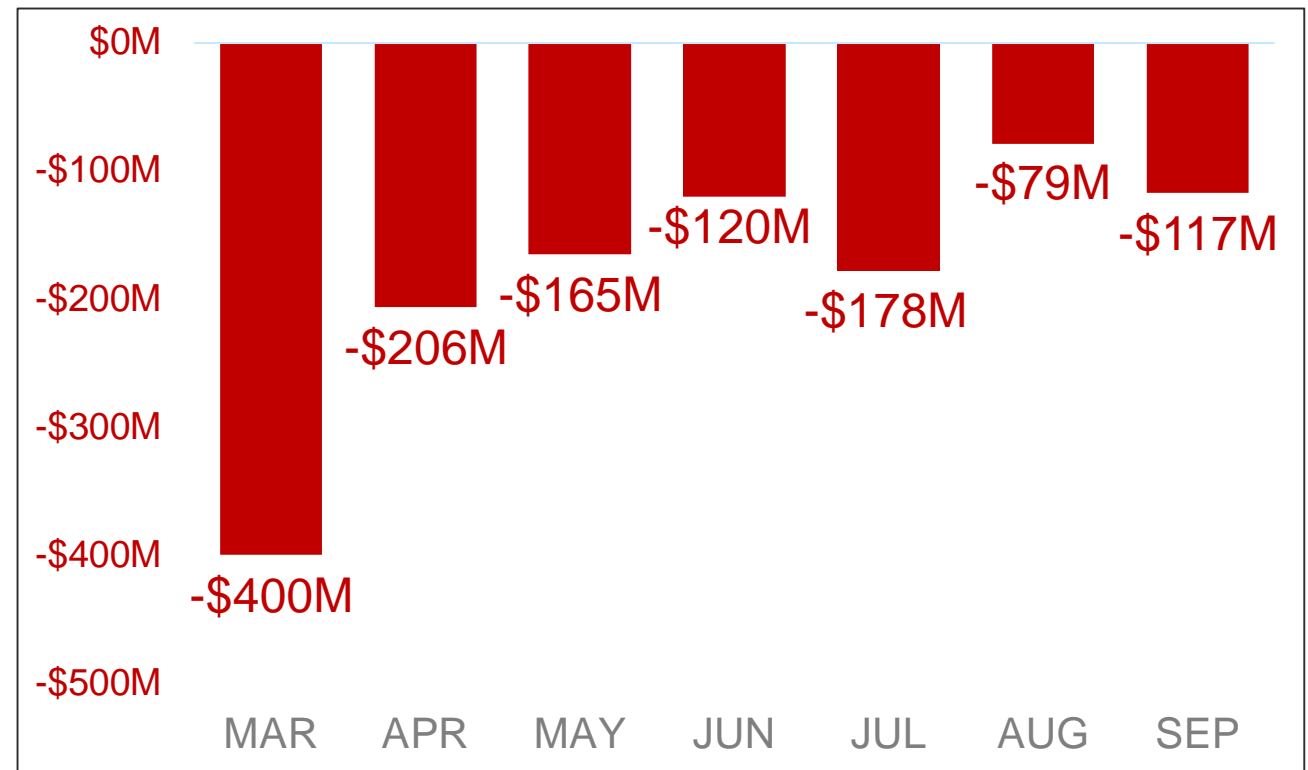
Alaska reported a **net loss of \$431 million** in Q3 2020, compared to net income of \$322 million in Q3 2019. **Total revenues were down 71%** for the quarter.

	Three Months Ended September 30,			
	2020		2019	
	Dollars	Diluted EPS	Dollars	Diluted EPS
<i>(in millions, except per-share amounts)</i>				
GAAP net income (loss) and diluted EPS	<b>\$ (431)</b>	<b>\$ (3.49)</b>	\$ 322	\$ 2.60
Payroll support program wage offset	(398)	(3.22)	—	—
Mark-to-market fuel hedge adjustments	(3)	(0.02)	—	—
Special items - merger-related costs	1	0.01	5	0.04
Special items - impairment charges and other	121	0.98	—	—
Special items - restructuring charges	322	2.60	—	—
Income tax effect of reconciling items above	(11)	(0.09)	(1)	(0.01)
Non-GAAP adjusted net income (loss) and diluted EPS	<b>\$ (399)</b>	<b>\$ (3.23)</b>	\$ 326	\$ 2.63

	Nine Months Ended September 30,			
	2020		2019	
	Dollars	Diluted EPS	Dollars	Diluted EPS
<i>(in millions, except per-share amounts)</i>				
GAAP net income (loss) and diluted EPS	<b>\$ (877)</b>	<b>\$ (7.12)</b>	\$ 588	\$ 4.74
Payroll support program wage offset	(760)	(6.16)	—	—
Mark-to-market fuel hedge adjustments	—	—	(1)	(0.01)
Special items - merger-related costs	5	0.04	39	0.31
Special items - impairment charges and other	350	2.84	—	—
Special items - restructuring charges	322	2.61	—	—
Income tax effect of reconciling items above	20	0.16	(9)	(0.07)
Non-GAAP adjusted net income (loss) and diluted EPS	<b>\$ (940)</b>	<b>\$ (7.63)</b>	\$ 617	\$ 4.97

# ✈ We're taking important steps to stabilize and recover

**Alaska reduced its cash burn** to approximately \$4 million per day in Q3 2020, down from \$13 million per day at the beginning of the pandemic.





# ✈️ Our #1 Priority: Guest and Employee Safety



Next-Level Care is comprised of **100+ actions and layered safety measures** designed to reduce risk and keep our guests and employees healthy and safe while traveling with us.

## ENHANCED CLEANING & SANITIZERS



Enhanced cleaning between flights.

Starting in July, individual hand-sanitizer wipes will also be available on board.

At our airports, we're rolling out additional hand-sanitizing stations in check-in lobbies and gate areas.



Electrostatic disinfectant sprayers are used to sanitize surfaces like overhead bins, armrests, tray tables, seatbelts, lavatories.

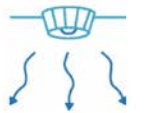
## HOSPITAL-GRADE FILTRATION



Aircraft are equipped with HEPA filters—the same kind found in hospital operating rooms.



The air flows from the ceiling to the floor and creates completely new air in the cabin every 2 to 3 minutes.



Want more filtered air? Open your vent. That air is filtered for your seat only.

## FACE COVERING REQUIREMENT



Face masks are required for all guests 12 and over and employees. While face coverings are not required for guests under 12, they are recommended for children 2 and older.



Face covering must cover your nose and mouth and should only be removed when eating or drinking. If you don't comply, you'll get a warning.

## PHYSICAL DISTANCING & SERVICE



Our food and beverage service on board has been reduced to limit interaction.



To allow for physical distancing, airport spaces and boarding procedures have been updated.



Through January 6, 2021, we're limiting the number of guests on our flights and blocking middle seats.

## The CARES Act Payroll Support Program Kept U.S. Airline Workers Employed, Gave Airlines Critical Time to Reduce Costs and Borrow Funds, and Saved Taxpayers \$9.2-15.7 Billion

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- » For the 10 largest U.S. passenger airlines, **PSP awards covered approximately 84%\* of payroll expenses** for the applicable six-month period, leaving a \$4.5 billion shortfall without factoring in non-payroll expenses.



- » PSP awards to passenger carriers alone are estimated to have saved state treasuries \$3.2-5.5B, and the U.S. Treasury \$6.0-10.2B, for a total of \$9.2-15.7B (see appendix for more detail).
- » Those receiving PSP funds: 1) may not conduct involuntary furloughs or reduce benefits or rates of pay, 2) must comply with minimum air service obligations (i.e., continue unprofitable flying), 3) abide by restrictions on executive compensation, 4) repay approximately 30% of the funds to U.S. Treasury and 5) surrender warrants.



# Despite the challenges, we're looking up

*"We are gaining momentum as we climb our way out of this crisis," said Air Group CEO Brad Tilden. "Each of the last six months has been better than the month before in terms of flights offered and passengers carried, and to date, we've kept our net debt unchanged. Alaska has competitive advantages that continue to serve us well in this crisis, and we are fighting this battle with the most passionate and dedicated employees in the business."*

*– Brad Tilden, Chairman & CEO*